

Washington Utilities and Transportation Commission (WUTC) Report Reviewing State Telecommunications Policies on Universal Service

During the interim, the WUTC opened a proceeding to review state telecommunications policies on universal service. The proceeding was prompted by correspondence from six legislators. Between May and October 2010, the WUTC held three workshops on the issue. After reviewing oral testimony and written comments, the WUTC issued a report on November 29, 2010.

Titled "A Report Reviewing State Telecommunications Policies on Universal Service," the document (1) summarizes existing federal and state policies regarding universal service, (2) discusses the changing telecommunications market, (3) recaps the workshop process, and (4) analyzes five policy options and makes one recommendation.

The WUTC's five options for addressing universal service and preserving the telecommunications network in Washington are as follows:

- (1) Maintain the status quo;
- (2) Using existing WUTC authority, require either immediate (i.e. "flash-cut") or phased-in reductions of intrastate access charges to the levels of interstate access charges;
- (3) Using existing WUTC authority, undertake selective examination of local telephone company earnings for potential reductions to intrastate access charges;
- (4) Legislatively create a targeted state universal service fund, with limited duration, for the transitional support of voice services, but only after a thorough earnings review of the state's smaller telephone companies; or
- (5) Legislatively create a broad state universal service fund that would support voice services for all local telephone companies serving rural areas of Washington, and which could be transitioned to support broadband services in the future.

The WUTC's report concludes by recommending a blend of options 3 and 4. The WUTC explains that it assumes the financial condition of some small, local telephone companies may be deteriorating as a result of marketplace developments and that new funding may be necessary to support the continued provision of local telephone service in rural and high cost areas. But "given the paucity of information" about the financial health of those companies, the WUTC states it cannot accurately determine the scope and scale of a universal service fund. Therefore, the WUTC writes "the prudent course is to undertake a series of detailed earnings investigations of the fund's recipients to determine its approximate size before recommending that the Legislature authorize a specific state universal service program." If legislatively authorized, the earnings investigations could be completed by October 1, 2012, assuming full cooperation of the companies subject to the earnings examinations. Legislation consistent with the recommendation could be considered during the 2013 legislative session.